THREE-YEAR PLAN 1991-1993

PRODUCT DEVELOPMENT

I. SUPPORT THE CURRENT BUSINESS

OBJECTIVE

Improve existing products and develop new products which meet the approved Marketing requirements while meeting standardization and productivity objectives.

STRATEGIES

- Support actively all programs aimed at monitoring consumer perceived product performance of our key brand families and initiate, when needed, product organization programs in order to ensure our competitive advantage in the market place.

- Improve and maintain our computerized project management system in order to optimize the speed and flexibility of the product development process and the allocation of the internal and external resources needed.

- Provide assistance and support to Manufacturing in order to ensure that product specifications are met during the initial production of newly developed cigarettes, and ensure that cigarette construction know-how is effectively transferred to the manufacturing centers.

- Develop and implement a program in order to reduce tar deliveries of all our brands (if needed) to ensure compliance with the 1993 EEC tar ceiling regulations.

- Develop a long-term plan with the objective to further reduce the tar deliveries of our brands to be in compliance with the 1997 EEC tar ceiling regulations. This plan will have to include future tar delivery segmentation (Light and Ultra Light) as well as an inventory of available emerging technologies which will allow tar reduction while maintaining taste quality at an optimum level.

- Ensure product standardization within brand families, and clear differentiation of product performance between brand families based on business objectives.

OBJECTIVE

Strengthen our understanding of consumer perceived product performance.

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STRATEGIES

- Monitor the evolution of the key competitive products by making optimum use of our current cigarette information activities and ensure quick awareness on competitors' new product introductions.

- Improve and maintain our internal descriptive panel in order to build a consistent data base on subjective product attributes of competitive products as well as cigarette prototypes.

- Improve and maintain, in collaboration with Marketing Research, the competurized model in which market dynamics are correlated with measurable and subjective product attributes in order to strengthen our understanding of consumer perceived product performance.

- Advise Marketing Research on qualitative and quantitative design and content of consumer test questionnaires in order to improve our understanding and the interpretation of consumer test results.

2. DEVELOPMENT OF NEW AND INNOVATIVE PRODUCTS WITH LONG TERM EARNING POTENTIAL.

OBJECTIVE

Create new and innovative product ideas/concepts for the cigarette market.

STRATEGIES

- Further enhance the interfacing of Product Development and Marketing in the creative thinking process.

- Keep an inventory of all new and innovative product ideas generated within the company.

- Develop and apply a screening system that can be used to select the most attractive opportunities.

OBJECTIVE

Increase the effectiveness in Technology Management in order to improve product and process innovation.

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STRATEGIES

- Increase awareness of Technology worldwide and maintain our Technology "storehouse" up to date.

- Strengthen our know-how on the Technology-Product relationships in order to:

  a) Improve our mathematical prediction models with the ultimate objective of being capable to predict the mainstream and sidestream smoke deliveries on a per puff basis whenever a cigarette component is changed and conversely whereby the system selects components required to achieve product objectives.

  b) Select and assess key technologies needed for the development of new and innovative products.

- Develop specifically the following selected technologies to the stage of industrial application:

  - Total Blend Expansion
  - Tube-in-tow Filter
  - Concentric Filter
  - Tobacco Sheet Filter
  - CA-web Filter
  - Tobacco Sheet Cigarette Wrapper
  - Dual Cigarette Wrapper
  - Tobacco Extract Flavors
  - Concentric Tobacco Rod

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